

Municipal Electric Systems and ElectriCities.

Although many refer to each individual municipal electric system as an "ElectriCity," "ElectriCities" is the name of the membership organization of municipal and university operated electric systems in North Carolina, South Carolina, and Virginia. ElectriCities provides training, technical assistance, and administrative assistance to its members. ElectriCities also provides management services to the municipal power agencies in North Carolina – North Carolina Municipal Power Agency Number 1 (NCMPA1) and the North Carolina Eastern Municipal Power Agency (NCEMPA). There are currently 70 cities offering electric service in North Carolina. NCMPA1 has 19 members; NCEMPA has 32 members; 19 other cities offer electric service but do not belong to either of the Municipal Power Agencies.

Joint Municipal Power Agency Formation

North Carolina cities were some of the first electric suppliers in the State. Statesville was the first city to offer electric service in 1889. At first, the municipal electric systems built their own power generation facilities. Over time, the municipal systems began to purchase electricity at wholesale to distribute to their customers. In the late 1960s, some municipal electric systems sought to acquire ownership interest in generation facilities, specifically nuclear generation facilities under construction in North and South Carolina. The cities were ultimately denied the opportunity to purchase an interest in the nuclear facilities due to federal law. The federal provision that barred municipal ownership in the nuclear facilities was changed in 1970.

In 1975, the General Assembly enacted the "Joint Municipal Power and Energy Act" which allows the municipal electric systems to band together to generate electricity. The Act enabled local government units that own municipal power distribution systems to establish and operate electric power projects by formation of a joint agency for ownership of a project. Joint agencies created under the Act were authorized to issue revenue bonds to finance the costs of a project. Shortly after the Act, NCMPA1 and NCEMPA were formed. In 1977, the people of North Carolina approved an amendment to the North Carolina Constitution to allow the Power Agencies to own generation facilities, and to issue revenue bonds to finance the facilities.

It is important to note that at this time the municipalities had a compelling reason for wanting to have an ownership interest in power plants. In the 1970s fuel and electricity prices were climbing while demand for energy was growing. By purchasing interest in generation facilities, the municipalities could guarantee a source of electricity that would be less expensive than purchases on the wholesale market.

Unfortunately for the Municipal Power Agencies, many of the reasons that led to the original purchase changed by the 1980s. Demand for electricity fell as energy conservation efforts were successful. Fuel prices began to drop. Also, the regulatory environment for nuclear facilities was changed after the incident at the Three Mile Island facility in Pennsylvania. These regulatory changes increased the construction costs for nuclear facilities. The financing costs associated with the plant construction were also high due to historically high interest rates.

Municipal Power Agency Ownership Interests

The NCMPA1 has a 75 percent ownership interest in Catawba Nuclear Station Unit 2. This plant is operated by Duke Power and located in York County, S.C. NCMPA1 also has an agreement with Duke that provides for electric power via McGuire Nuclear Station and Catawba Unit 1 should Catawba 2 be unavailable for service.

The NCEMPA owns interest in five generating units built and operated by Progress Energy. These facilities include three nuclear units, 2 units at the Brunswick Plant in Brunswick County, and 1 unit at Shearon Harris Plant in Wake County. The NCEMPA also owns an interest in two coal-fired plants in Person County.

Municipal Power Agency Debt

ElectriCities provides the debt responsibility of each Power Agency, and the debt responsibility of each city on its website (see links below). The debt for the NCMPA1 as of January 2, 2011 is \$1,541,085,000.

The debt is scheduled to be retired in 2031. The debt for the NCEMPA as of January 2, 2011 is \$2,254,510,000. The debt is scheduled to be retired in 2025.